

**U.S. DEPARTMENT OF COMMERCE  
UNITED STATES TRADE FINANCE ADVISORY COUNCIL**

**Justification**

Small and medium-sized enterprises (SMEs) represent 98 percent of all U.S. exporters, but only 35 percent of U.S. export revenue, according to a recent Brookings Institution report<sup>1</sup>. The difficulty faced by SMEs in accessing capital is cited as a key obstacle in this report, as well as other academic studies<sup>2</sup>.

As one of the five pillars of the NEI/NEXT, expanding access to finance for U.S. exporters, especially SMEs, and their foreign buyers is a critical element in the Department of Commerce's America is Open for Business strategic plan, to promote growth through the expansion of U.S. exports. In line with this objective, the most recent President's Export Council's recommendations highlighted the need for programs at all levels of government to expand access to finance for SMEs and emerging growth businesses. Achieving such a goal requires bringing together the perspectives from all stakeholders involved to obtain balanced and comprehensive insights, and develop strategies which ITA would use to enhance its mission and better educate U.S. exporters on how to access capital to support their transactions. The Department of Commerce would address this issue through the creation of a Trade Finance Advisory Council (TFAC), which would provide a forum to facilitate the discussion between a diverse group of stakeholders to explore innovative solutions to current challenges and develop recommendations to the Secretary of Commerce.

Since 98 percent of U.S. export transactions are conducted without support from the U.S. Government export financing agencies<sup>3</sup>, the TFAC members would be expected to provide advice and actively solicit input, as needed, from others in the private sector to help the Department address obstacles facing U.S. exporters and their foreign buyers in accessing capital, and related resources. The objectives of the TFAC would be to (1) provide a forum to facilitate the discussion between a diverse group of stakeholders such as banks, non-bank financial institutions, other trade finance related organizations, exporters, and relevant U.S. government agencies to gain a better understanding regarding challenges facing U.S. exporters in accessing capital ; (2) draw upon the experience of its members in order to obtain ideas and suggestions for innovative solutions to these challenges; and (3) develop recommendations on programs or activities that the Department could incorporate as part of its export promotion and trade finance education efforts.

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<sup>1</sup> Brookings Institution, "Bridging Trade Finance Gaps: State-Led Innovations to Bolster Exporting by Medium and Small-Sized Firms," available at [http://www.brookings.edu/~media/research/files/reports/2015/01/08-export-finance/rf\\_exportfinance\\_may15.pdf](http://www.brookings.edu/~media/research/files/reports/2015/01/08-export-finance/rf_exportfinance_may15.pdf) (January 8, 2015), at 2.

<sup>2</sup> Joe Peek, "The Impact of Credit Availability on Small Business Exporters," Small Business Administration Office of Advocacy, April 2013, at 12. Available at [https://www.sba.gov/sites/default/files/files/rs404tot\(3\).pdf](https://www.sba.gov/sites/default/files/files/rs404tot(3).pdf); see also Maksimovic, Vojislav and Demirgüç-Kunt, Asli and Ayyagari, Meghana, "How Important are Financing Constraints? The Role of Finance in the Business Environment," January 2006. World Bank Policy Research Working Paper No. 3820. Available at SSRN: <http://ssrn.com/abstract=844565>.

<sup>3</sup> U.S. Government trade finance supported less than two percent of U.S. exports through the U.S. Export-Import Bank (EXIM Bank) and other USG finance agencies and its concerns are addressed by existing advisory committees.

None of the existing ITA-administered advisory committees address these access to finance issues in a comprehensive way. More importantly, there are no other means for the Department to obtain the necessary viewpoints and cross-sector examination of key trade finance related challenges facing U.S. exporters and their foreign buyers. Accordingly, establishment of the TFAC is in the public interest because it would create an effective tool for gathering consensus input and advice on trade finance from a broad range of stakeholders. It is important to note that the TFAC would not duplicate the work of the EXIM Bank Advisory Committee whose specific mandate is to help improve the Bank's official trade finance programs. In contrast, the TFAC would focus on trade finance provided by private sector sources. As 98 percent of U.S. export transactions are conducted without government export financing support, this would help provide input that the Department could use to develop a more comprehensive strategy to expand access to trade finance.

The TFAC would function solely as an advisory committee, in accordance with the provisions of the Federal Advisory Committee Act (FACA), 5 U.S.C. App., as amended.

### **Balanced Membership**

The Secretary of Commerce shall appoint committee members. The Office of Finance and Insurance Industries has prepared a Membership Balance Plan for the TFAC for consideration by the Secretary in making appointments. The TFAC shall be broadly representative of the key stakeholders of the trade finance industry and the U.S. exporting community, as well as experts from academia and public policy organizations. Appointments to the TFAC shall be made without regard to political affiliation.

Considerations when making appointments include: points of view; geographic diversity; diversity in size of company or organization to be represented; demographics; and sector, including representation of companies and organizations seeking lending facilities, offering trade finance, cross-border payment, and foreign exchange solutions, or facilitating trade financing across all manufacturing and services sectors, as well as other trade-finance related entities, including non-government organizations, associations, and economic development organizations, as well as the balance between industry and academic experts.